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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

Form 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended: April 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No.: ~~0-17702~~ 33-24954

TERMINAL APPLICATIONS GROUP, INC.
(Exact name of Registrant as specified in its charter)

New York	11-2214936
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
495 Central Park Avenue, Scarsdale, New York (Address of principal executive offices)	10583 (Zip Code)

Registrant's telephone number, including area code: (914) 723-0800

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X(1) No ____

(1) Registrant has been subject to the filing requirements for the past 90 days. Due to Registrant's weakened financial condition, a portion of the fees of Coopers & Lybrand, independent certified public accountants of Registrant, for the audit of the financial statements for the 1990 fiscal year remain unpaid. Accordingly, the reports of Coopers & Lybrand on the financial statements and financial statement schedules for the 1991 fiscal year have not been released and were omitted from Registrant's Annual Report on Form 10-K for the 1991 fiscal year.

On June 12, 1992 there were outstanding 6,309,240 shares of Common Stock, $.01 par value per share of the Registrant.

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TERMINAL APPLICATIONS GROUP, INC.

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TERMINAL APPLICATIONS GROUP, INC.
BALANCE SHEETS
4/30/92 & 10/31/91

	4/30/92 (Unaudited)	10/31/91 (Unaudited)
ASSETS:		
Cash	$ 13,715	$ 70,760
Receivables, trade	291,782	239,061
Other receivables	96,994	31,494
Net investment in sales-type leases	1,415,115	1,596,488
Inventory	236,071	266,071
Prepaid expenses	27,602	41,508
Fixed assets, net of acc. dep. (Note 3)	2,033,022	2,178,321
Due from affiliates	20,729	41,068
Deposits	19,060	18,461
Total Assets	$4,154,090	$4,483,232
LIABILITIES & STOCKHOLDERS' EQUITY:		
Liabilities:		
Long-term debt (Note 4)	2,619,930	$2,624,453
Accounts payable and accrued expenses	2,068,357	1,646,406
Obligations under capital leases	127,433	155,565
Customer deposits and unearned rental income	250,871	263,243
Deferred income	2,783	62,104
Total Liabilities	5,069,374	4,751,771
Stockholders' Equity:		
Preferred stock, par value $.10 per share:	16	16
Common stock, par value $.01 per share:	64,232	63,732
Common Stock Subscribed	0	
Additional paid-in capital	2,694,223	2,694,222
Retained Earnings	(3,635,755)	(2,988,509)
	(877,284)	(230,539)
Less, Treasury stock, at cost,	38,000	38,000
	(915,284)	(268,539)
Total Liabilities and Stockholders' Equity	$4,154,090	$4,483,232

The accompanying notes are an integral part of these financial statements.

TERMINAL APPLICATIONS GROUP, INC.

STATEMENTS OF OPERATIONS

	Three Months Ended April 30		Six Months Ended April 30	
	1992 (Unaudited)	1991 (Unaudited)	1992 (Unaudited)	1991 (Unaudited)
REVENUES:				
Net sales and related interest income	$ 234,142	$ (74,486)	$ 665,956	$ (14,432)
Rentals and maintenance	(29,482)	465,190	336,306	965,433
Total Revenues	204,660	390,704	1,002,262	951,001
COST OF REVENUES:				
Cost of products sold	26,410	66,340	79,096	120,518
Cost of rental and maintenance services	319,235	319,351	651,658	680,440
Total Cost of Revenues	345,645	385,691	730,754	800,958
Gross Profit	(140,985)	5,013	271,508	150,043
EXPENSES:				
Operating expenses	82,487	101,733	181,123	195,227
Research and development	60,609	14,161	116,781	76,640
Selling expenses	75,414	109,127	161,909	226,895
General and administrative	150,952	214,652	335,186	369,385
Total Operating Expenses	369,462	439,673	794,999	868,147
Income (loss) from Operations	(510,447)	(434,660)	(523,491)	(718,104)
Interest expense	60,116	64,972	123,845	144,992
Income Before Tax	(570,563)	(499,632)	(647,336)	(863,096)
Provision for Tax	0	0	0	0
Net Income (Loss)	$ (570,563)	$ (499,632)	$ (647,336)	$ (863,096)
Earnings (Loss) Per Share of of Common	$ (0.09)	$ (0.08)	$ (0.10)	$ (0.14)
Weighted Average Shares Outstanding	6,275,907	6,259,240	6,275,907	6,259,240

The accompanying notes are an integral part of these financial statements.

TERMINAL APPLICATIONS GROUP, INC.
STATEMENTS OF CASH FLOW
(Increase (Decrease) in Cash and Cash Equivalents)
(Unaudited)

	For the Six Months Ending April 30, 1992	1991
Cash flows provided by (used for) operating activities:		
Net loss	$ (647,336)	$ (863,096)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	263,374	249,844
Changes in assets and liabilities:		
Increase in trade receivables	(52,721)	(42,563)
(Increase) Decrease in Other Receivables	(65,500)	3,041
Decrease in Sales-Type Leases	181,373	653,522
Decrease in Inventory	30,000	39,939
Decrease in Prepaid Expenses	13,906	18,333
(Increase) Decrease in Deposits	(599)	56,792
Decrease (Increase) Due From Affiliates	20,339	(1,536)
Increase in Accounts Payable and and Accrued Expenses	421,951	24,401
Decrease in Customer Deposits and and Unearned Rental Income	(12,372)	(13,317)
Decrease in Deferred Income	(59,321)	(37,344)
	$ 740,430	$ 951,112
Net Cash (used for) Provided by Operating Activities:	$ 93,094	$ 88,016
Cash Flows Used for Investing Activities:		
Acquisitions of Fixed Assets	$ (117,984)	$ (185,267)
Net Cash Used for Investing Activities:	(117,984)	(185,267)
Cash flows provided by (used for) financing activities:		
(Decrease) Increase in long term debt	(4,523)	98,510
Decrease in Capital Lease Obligations	(28,132)	(21,619)
Issuance of common stock	500	1,897
Net Cash (Used for) Provided by Financing Activities:	(32,155)	76,891
Net Decrease in Cash	(57,045)	(20,360)
Cash at the Beginning of the Period	$ 70,760	15,513
Cash at the End of the Period	$ 13,715	$ (4,847)
Supplemental disclosures:		
Cash Paid During the Period for:		
Interest	$ 11,402	$ 33,545
Taxes	$ 616	$ 561

The accompanying notes are an integral part of these financial statements.

TERMINAL APPLICATIONS GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

1. The balance sheets as of April 30, 1992 and October 31, 1991 and the comparative statements of operations for the six-month and three month periods ended April 30, 1992 and 1991, and the comparative statements of cash flows for the six-month periods ended April 30, 1992 and 1991 have been prepared by the Company, without audit. In the opinion of management, all adjustments necessary to present fairly the Company's financial position at April 30, 1992 and 1991, and the results of operations and cash flows for the periods presented have been made. All such adjustments are of a normal, recurring nature. Earnings per share are calculated using the weighted-average number of shares outstanding as common stock equivalents are not significant. The balance sheet at October 31,1991 is unaudited.

2. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that this information be read in conjunction with the annual financial statements of the Company.

3. Fixed assets are carried at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is generally provided under the straight-line method for financial reporting purposes with expected useful lives ranging from five to seven years. Leasehold improvements are generally amortized over the shorter of useful life or terms of the respective leases.

Fixed assets consisted of the following (principally pledged - see Note 4):

	4/30/92	10/31/91
Data processing equipment	$ 1,826,033	$ 2,393,233
Software	2,242,117	2,149,754
Office furniture and equipment	80,078	147,997
Leasehold improvements		390,597
	4,148,228	5,081,581
Less, Accumulated depreciation and amortization	2,115,206	2,903,260
	$ 2,033,022	$ 2,178,321

4. Long-term Debt:

Long-term debt consists of the following:

	4/30/92	10/31/91
Bank loan payable, revolving credit and term loan agreement	$ 2,433,487	$ 2,435,000
Notes payable to vendors	186,443	190,943
	$ 2,619,930	$ 2,624,453

The Loan Agreement provides for an interest rate of 1.25% above the prime lending rate and also requires a facility fee of .75% of the balance of the loan on the date of closing. These borrowings are collateralized by substantially all of the Company's assets. In addition, the Agreement contains certain restrictive covenants, including maintenance of net worth and debt to net worth ratios with which the Company is not in compliance. This Agreement matured in August 1990, and the Bank and the Company have been negotiating its restructuring and repayment. No agreement has yet been reached.

5. Events:

A. In January 1991, the Company instituted a work share program under the New York State Unemployment Insurance System. Under the program work schedules and salaries of certain employees were reduced by 20% and such employees received 20% of their unemployment benefits. This program expired in June 1991. At its expiration, all employees took additional salary cuts.

B. In February 1992, the Company signed a 5 year lease for new space for its headquarters and moved during April 1992.
Minimum future rental payments due under the lease exclusive of escalation clauses are as follows:

1992	$ 44,765
1993	89,531
1994	173,165
1995	232,904
1996	245,060
1997	105,726
	$891,151

C. During May 1992, the Company completed oral testimony in its arbitration with NCR Corporation before the American Arbitration Association. A decision from the arbitrator is not expected until the fourth quarter of fiscal 1992 and the Company cannot predict the outcome of that decision.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Registrant has recently completed a comprehensive review of the current conditions and anticipated future trends in the data processing industry and how those circumstances will impact the business and future plans of the Registrant. Some of the market forces which have a direct impact on the Registrant are:

1. The continual decrease in the price and increase in the power of computer equipment.
2. The use of open operating systems which allows customers to interchange and utilize computer equipment from different manufacturers in an integrated system.
3. The greater availability of computer expertise.
4. The trend to downsize company operations.
5. The outsourcing of various functions that were previously handled internally, including data processing.

As a result of these market forces, the business of the Registrant has declined. In response, the Registrant has reviewed its business plans and strategies and has embarked on a modified course of action. The Registrant has determined that its Challenger data processing system has reached the end of its product life. The Challenger system utilizes proprietary computer software written by the Registrant and designed to operate on mainframe computers manufactured by the NCR Corporation. These mainframe computers utilize an NCR proprietary operating system and Registrant's software can only operate on this equipment. The customer is connected to the

mainframe by communications lines, enters information and receives reports. The Registrant licenses its software, operates the computer system and sells its expertise. This type of shared computer mode was an appropriate method of operation when the Registrant commenced business in 1969; however, changes in the data processing market have reduced its appeal.

At the present time, powerful computers can be purchased inexpensively and there is greater availability of computer expertise. Accordingly, potential customers have become able to own and operate their own data processing departments. These customers are interested in purchasing an "open system solution" for their data processing needs which consists of computer equipment from various manufacturers and computer software that will run on all of such equipment. Other customers have taken this open system solution and combined it with downsizing their operations and outsourcing their data processing functions in order to concentrate their efforts on the main aspects of their businesses.

Registrant has modified its plans for its new Star Alpha" data processing system and the Challenger system in response to these changes in the marketplace. Sales of new Challenger systems have declined in the past three years and currently only occur sporadically. Accordingly, Registrant has abandoned further efforts to sell new Challenger systems but will continue to sell upgrades and additional equipment and services to existing customers. Registrant has also intensified its efforts to encourage existing customers to switch to the Star Alpha" system. The Star Alpha"

system will not be offered in a shared computer mode of operation as previously anticipated but, instead, the system, complete with the computer, will be sold to customers. Registrant will also offer a facility management outsourcing service to customers who desire Registrant to operate their data processing equipment. In this mode, the customer's computer would be located at Registrant's office and connected to the customer's facility by communication lines.

The initial version of the Star Alpha™ software will utilize the OS/2 operating system run on IBM and IBM compatible personal computers. In the future, the Registrant may offer a version of the Star Alpha™ software that utilizes other operating systems which run on computers from other manufacturers including IBM, Sun Microsystems, Hewlett-Packard, etc.

In addition to its direct sales force, Registrant offers the Star Alpha™ software through selected resellers and systems integrators. Distribution license agreements have been signed with six distributors. Lastly, Registrant has oriented its marketing efforts to larger customers, including Fortune 1000 companies, who desire to decentralize their data processing functions. The Registrant has modified its marketing and sales plans for Star Alpha™ to reflect the changes in the marketplace since the Star Alpha™ project commenced over three years ago.

The lack of sales of new Challenger systems has resulted in a growing cash insufficiency which the Registrant has addressed with various cost cutting programs instituted over the past two years.

These programs included several reductions in staff, reductions in salaries paid to the remaining staff with the largest reductions in actual dollars and percentages imposed on management salaries, a temporary work share program under the New York State Unemployment System utilized in 1991, and various changes in schedules and procedures, all designed to reduce costs.

In April 1992, Registrant relocated its principal offices to White Plains, New York and lowered its annual rental and related expenses by approximately $160,000 per year for the first two years of its new five year lease. Registrant is in the process of relocating its Philadelphia sales office and has reached an understanding in principal with the landlord for the old location regarding the balance of the rent due under the lease. Under this understanding, Registrant will save an aggregate of approximately $95,000 over the next three years. Furthermore, to conserve cash during certain periods, the payment of salaries of officers and key employees has been delayed. At June 1, 1992 the Registrant had delayed the payment of approximately $65,500 of such salaries. The Registrant has also selectively delayed the payment of various other accounts payable.

Registrant had a backlog of orders of approximately $380,600 at April 30, 1992 for the Star Alpha" system. The Registrant announced the release of certain modules of the Star Alpha" system in December 1990. The remaining modules of the first version of the Star Alpha" system have been and will continue to be released for sale as they are completed. The Registrant has installed a

pre-release version of portions of the Star Alpha™ system at seven customers. The Registrant has commenced installing backlog orders for Star Alpha™ systems that are comprised of the modules which have been released but will not be able to install the remaining backlog until the modules to be installed are completed and are fully operational.

Total revenues for the second fiscal quarter ended April 30, 1992 and 1991 were $204,660 and $390,704, respectively. Total revenues for the six-month periods ending April 30, 1992 and 1991 were $1,002,262 and $951,001. The decrease of $186,044 in the 1992 second fiscal quarter and the increase of $51,261 in the 1992 six-month period reflects increased sales of the Star Alpha™ system and the reduction in the rentals and maintenance income due to a reduction in the number of customers on the Challenger system.

The Registrant's gross profit margin on revenues was approximately (69)% for the 1992 second fiscal quarter and approximately 27% for the six months ended April 30, 1992 as compared to approximately 1% and 16%, respectively, in the prior year periods. The gross profit margins are lower than the Registrant previously achieved and reflect the fact that revenues are reduced while the cost of revenues are relatively fixed.

Total expenses as a percentage of total revenues were approximately 181% and 113% for the second fiscal quarters of 1992 and 1991, respectively, and 79% and 91% for the six-month periods ending April 30, 1992 and 1991, respectively. Expenses decreased by $70,211, or approximately 16%, in the second fiscal quarter ending

April 30, 1992 and decreased by $73,148, or approximately 8%, for the six months ended April 30, 1992, respectively, over the like periods in the prior fiscal years.

Selling expenses decreased by $33,713 and $64,986 for the 1992 second fiscal quarter and six months ended April 30, 1992 as compared to the prior fiscal year periods. General and Administrative expenses decreased by $63,700 and $34,199 for the 1992 second fiscal quarter and six months ended April 30, 1992 as compared to the prior fiscal year periods. Operating expenses decreased by $19,246 and $14,104 in the 1992 second fiscal quarter and six months ended April 30, 1992 as compared to the prior fiscal year periods. Reductions in selling, general and administrative, and operating expenses reflect the salary and personnel reductions instituted by the Registrant.

Research and Development expenses were $60,609 and $14,161 for the 1992 and 1991 second fiscal quarters and $116,781 and $76,640 for the six months ended April 30, 1992 and 1991, respectively. Registrant's Star Alpha" software has, as previously reported, reached technological feasibility and the research and development costs of such software incurred in and subsequent to the fourth quarter of the 1989 fiscal year are being capitalized. The increases of $46,448 and $40,141 in the 1992 second fiscal quarter and six months ended April 30, 1992 as compared to the prior fiscal year periods reflect the fact that certain of the research and development costs are no longer permitted to be capitalized because

the Registrant has sold Star Alpha™ systems composed of the modules that have been completed and released.

Liquidity and Capital Resources

As noted above, the Registrant is facing a continuing liquidity insufficiency resulting from reduced sales volume. Registrant's relocation of its facilities and reductions in staff and other expenses had a material favorable impact in the fiscal quarter and six months ended April 30, 1992. It is the intention of management to continue to closely monitor the situation and to take those actions required by future developments. The Registrant still anticipates that Star Alpha™, the Registrant's new data processing system, will be favorably received by the marketplace and has received favorable comments and 10 deposits from new and existing customers who have seen the current form of the system.

Net cash provided by operating activities was $93,094 and $88,016 for the six-month periods ended April 30, 1992 and 1991. The cash provided by operating activities results from the decrease in sales type leases.

Net cash (used for) investing activities in fixed assets was $(117,984) and $(185,267) for the six months ended April 30, 1992 and 1991.

Net cash (used for) provided by financing activities was $(32,155) and $76,891 for the six months ended April 30, 1992 and 1991 and primarily reflects a decrease in long term debt in the 1992 period.

In August 1988 the Registrant entered into a two year revolving credit line which bears interest at 1 1/4% over the bank's prime rate, is collateralized by substantially all of the Registrant's assets and provided for loans up to a maximum of $2,500,000 with the amount determined by a formula based upon the Registrant's net investment in "sales-type leases" and accounts receivable. This revolving line of credit matured on August 31, 1990 but has not been repaid. The bank has limited the maximum amount which the Registrant can borrow to $2,435,000, the amount outstanding on October 31, 1990. The bank and the Registrant have been negotiating the repayment of this loan for a reduced amount payable over a number of years; however, a final agreement has not, as yet, been reached. There can be no assurance that these negotiations will be successful.

Under the original terms of this revolving credit line, the Registrant could convert the total amount outstanding on the maturity date to a three year term loan bearing interest at 1 1/2% over the bank's prime rate and payable in 36 equal monthly payments of principal together with interest on the amount outstanding. At October 31, 1991, 1990 and 1989 the Registrant had drawn $2,435,000, $2,435,000 and $2,170,000, respectively against this line of credit. Borrowed funds are used primarily for working capital.

Under the terms of this revolving credit line, the Registrant is subject to a number of affirmative and negative covenants.

Among those covenants are a requirement that the Registrant maintain a minimum net worth of $1,400,000, $1,500,000 and $1,600,000 during the 1988, 1989 and 1990 fiscal years, respectively, and a debt, as defined, to net worth ratio of 2 to 1. At June 1, 1992, the Registrant was 18 months behind in the payment of interest and is not in compliance with the net worth or debt to net worth requirements.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

a. Exhibits - None

b. Registrant filed a Current Report on Form 8-K dated March 2, 1992 reporting, under Item 6. Resignations of Registrant's Directors, the decision of Robert Mantin not to stand for re-election to the Board of Directors at the 1992 Annual Meeting of Shareholders and the resignation of Robert I. Schulman from the Board of Directors of Registrant. There were no disagreements between Registrant and Messrs. Mantin and Schulman regarding the operations, policies or practices of Registrant.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TERMINAL APPLICATIONS GROUP, INC.

By: _____
Gerald D. Kaplan, President
Principal Executive and
Financial Officer

Dated: June 12, 1992